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CCP CURRENCY VALUE DECLINES; BONDS COMPUTED IN TERMS OF COMMODITIES

CCP INFLATION UNCHECKED -- Hsin-sheng Wan-pao, 13 Jan 50

Hong Kong, 12 January -- The people's currency of the CCP is meeting the same fate as the gold yuan of the former KMT regime. The Communists have proclaimed that the people's currency will not depreciate, but the inflationary trend has already set in and is continuing unabated.

Liu Shao-ch'i stated recently that 1950 will be the most difficult year for the Central People's government. Its biggest dilemma is its announcement that the people's currency will not depreciate. More people are becoming skeptical about the reliability of the currency, as well as about the capability of the CCP to cope with the present debacle of depreciation.

The Central People's government printing office is now working 24 hours a day printing paper bank notes. According to the same source, the production of the printing office is four times that of the production during the KMT regime. The total circulation of the people's bank notes is a well-guarded secret among the Communist authorities.

The black markets in gold and foreign currency have reappeared, but they are not as extensive as during the KMT regime because of the stricter control and the small profits gained from such rackets. The black market in US dollars exceeds the official price by only 30 to 50 percent.

The variation in market prices is causing much concern among the Communist authorities. They have instituted such anti-inflationary measures as reduction in governmental expenditures, increase of taxes, etc.

After the liberation of Nan-ching and Shang-hai, the value of the people's currency was comparatively stable and economic conditions were healthy. According to one observer, this stability may have been due to the strict economic controls of the CCP. In the other hand, it may have been due to the inactivity of markets in the Man-ching--Shang-hai region, he added.

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Trade will be gradually restared as the CCP continues to empand its territory, but in conjunction with this, inflation will set in as it did during the KMT regime. This can be verified by the inflationary trend after the "liberation" of Kwang-chow. The trend has continued unchecked.

According to a neutral observer, the economic stability at the beginning was not due to the efficient work of the Communist authorities. He stated, however, that their anti-inflationary measures, such as the compaign against luxuries, the control of hoarding, and illegal currency exchange, were partially successful.

Another observer stated that the success of the CCP is credited to the natural restoration of the economy and not to the stricter economic control. The CCP authorities themselves are also admitting that the present inflation will continue for some time.

DEFINES "UNIT" OF VICTORY BONDS -- Wen-hui Pao, 6 Jan 50

In the Northeast the commodities upon which the value of the Central People's government Victory Bonds is computed are Kacliang (kaffir corn), cotton cloth, salt, and coal.

In the rest of the country the commedities are rice, (millet in the T'ienching area), flour, white cotton cloth, and coal. The amounts of these commodities combined to make up one unit of the bonds are: rice (millet in T'ien-ching), 6 catties; flour, $1\frac{1}{2}$ catties; cloth, 4 Chinese feet; and coal, 16 catties.

The basis for computation into currency is provided by taking the average wholesale price of these commodities for the cities of Shang-hai, T'ien-ching, Han-k'ou, Hsi-an, Kuang-chou, and Ch'ung-ch'ing. In order to keep up with market fluctuations the People's Bank revises and posts the quotations every 10 days.

The reason giver for the use of commodities as the basis for valuation at the time of purchase and for repayment and interest computation is that the people have more confidence in the stability of commodities than of currency.

The use of the average wholesale valuation of the designated commodities for six widely separated cities of the country gives as stable 1 valuation for currency conversions as could be arranged for the country as a whole. Charging the valuation at 10-day intervals makes possible reporting of the rate to distant places, which would not be practicable for daily quotations.

HONG KONG REMITTANCES RECEIVE PREFERENTIAL TREATMENT -- Wen-hui Pao, 11 Jan 50

In view of the increasing commercial activity between Hong Kong and Kuangchou, the Chinese government has passed measures designed to facilitate the flow of remittances from the colony to the mainland. Remittances will be converted into jen-min-p'iao (JMP) according to the rate for overseas remittances posted deily by the Bank of China. If the remitter has no immediate need for JMP, he may make a special foreign exchange deposit at the Bank of China and convert it at some future date at the rate prevailing at the time of conversion.

Some people are still unaware of these measures, and are bringing foreign currencies into Kuang-chou illegally on their persons.

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NATIONALIST FUNDS FROZEN -- Hsin-sheng Wan-pao, 11 Jan 50

Financial circles in Hong Kong report that after Britain recognized the Central People's government, the Chinese Communist authorities telegraphed the Hong Kong authorities to freeze all KWT funds in financial institutions, such as banks, postal savings offices, etc. The authorities also froze postal and Central Trust funds of the Nationalists deposited in Shang-hai, the latter amounting to some 200,000 dollars in Hong Kong currency. This stopping of operations has caused considerable inconvenience, and unless the Communist representatives do not quickly take over, there will be trouble.

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